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INFO OCT-01 EUR-06 ISO-00 EB-05 SS-15 SSO-00 CCO-00 RSC-01

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COMM/BEWT: W. GLASSFORD

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FOR SECRETARY DENT

FOLLOWING REPEAT WARSAW 5075 SENT ACTION SECSTATE USDOC INFO
BELGRADE BUDAPEST MOSCOW VIENNA SEPT. 28:

QUOTE

C O N F I D E N T I A L

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E.O. 11652: N/A

TAGS: PFOR ETRD BCOM OVIP US PL

SUBJECT: JOINT U.S.-POLISH TRADE COMMISSION,

THIRD SESSION: WRAP-UP REPORT

STATE PASS TREASURY, STR, AGRICULTURE

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MOSCOW FOR SECRETARY DENT

1. SUMMARY: DURING THE THIRD SESSION OF THE US-POLISH JOINT TRADE COMMISSION, THE U.S. AND POLISH DELEGATIONS REVIEWED THE PROGRESS MADE IN TRADE RELATIONS SINCE THE ESTABLISHMENT OF THE COMMISSION IN JUNE, 1972. IN PLENARY SESSIONS AND WORKING GROUPS, THE DELEGATIONS DISCUSSED, AMONG OTHER TOPICS: INDUSTRIAL COOPERATION, INCLUDING JOINT VENTURES; BUSINESS FACILITIES; MARITIME MATTERS; AND AGRICULTURAL QUESTIONS. OUTSIDE THE FRAMEWORK OF THE JOINT COMMISSION, SECRETARY DENT AND OTHER MEMBERS OF THE DELEGATION MET WITH PRIME MINISTER PIOTR JAROSZEWICZ AND MINISTER OF HEAVY INDUSTRY WLODZIMIERZ LEJCZAK; THESE MEETINGS WILL BE REPORTED SEPARATELY. THE COMMISSION SESSION OVERALL WAS CONSTRUCTIVE AND SERVED TO CLARIFY FURTHER THE DIFFICULTIES STILL EXISTING IN POLISH-US TRADE RELATIONS. ALL THE TALKS WERE FRANK AND CONDUCTED IN A MOST FRIENDLY ATMOSPHERE. END SUMMARY.

2. DURING THE FIRST PLENARY SESSION, IT WAS AGREED BY THE CO-CHAIRMEN, SECRETARY OF COMMERCE FREDERICK B. DENT AND MINISTER OF FOREIGN TRADE TADEUSZ OLECHOWSKI, TO DIVIDE THE DELEGATIONS INTO THREE WORKING GROUPS WHICH CONCENTRATED ON THE FOLLOWING MAIN TOPICS:

A) COMMERCIAL RELATIONS: JOINT VENTURES AND INDUSTRIAL COOPERATION; MARITIME AFFAIRS; US NTB NOTIFICATIONS TO GATT REGARDING POLAND; THE QUESTION OF A LONG TERM US-POLISH AGREEMENT ON INDUSTRIAL, SCIENTIFIC, AND ECONOMIC COOPERATION.

B) BUSINESS FACILITIES: PROBLEMS CONFRONTING US FIRMS ACCREDITED FOR OFFICES IN POLAND, INCLUDING COSTS, EXCHANGE RATES, AND TAXATION; THE POLISH DESIRE TO OPEN A BRANCH OFFICE OF THE CHAMBER OF FOREIGN TRADE IN SAN FRANCISCO AND TO OBTAIN FOR ALL OFFICIALS AT THE NEW YORK OFFICE OF THE POLISH COMMERCIAL COUNSELOR THE SAME PRIVILEGES AS THOSE TO WHICH THEY WOULD BE LIMITED OFFICIAL USE

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ENTITLED IF THEY WERE ASSIGNED TO THE COMMERCIAL SECTION OF THE POLISH EMBASSY IN WASHINGTON.

C) AGRICULTURAL AFFAIRS: CCC CREDITS; THE QUESTION OF A LONG-TERM AGREEMENT ON AGRICULTURAL TRADE. EACH WORKING GROUP PRODUCED AN AGREED REPORT. ON SEPTEMBER 27, THE COMMISSION CO-CHAIRMEN SIGNED AN AGREED MINUTE SUMMARIZING COMMISSION'S WORK AND

APPROVING THE MARCH 7, 1973, REPORT OF THE WORKING GROUP ON BUSINESS FACILITIES. THE COMMISSION DECIDED TO HOLD ITS NEXT (FOURTH) SESSION IN WASHINGTON IN 1974.

3. WORKING GROUP ON COMMERCIAL RELATIONS (CHAIRMEN: ASSISTANT SECRETARY OF STATE WILLIS ARMSTRONG AND VICE MINISTER OF FOREIGN TRADE WLODZIMIERZ WISNIEWSKI):

A) JOINT VENTURES AND INDUSTRIAL COOPERATION:
POLISH SIDE STATED THAT INTEREST IN JOINT VENTURES STEMMED FROM ABANDONMENT OF POLICY OF AUTARCHY AND NEED FOR ADVANCED TECHNOLOGY TO MODERNIZE POLISH INDUSTRY. POLISH SIDE STRESSED ITS VIEW OF JOINT VENTURES AS LONG-TERM, STABLE PARTNERSHIPS SERVING BOTH POLISH DOMESTIC MARKET AND EXPORT MARKETS IN FREE-CURRENCY AREAS. REGULATIONS TO BE ISSUED BEFORE END OF 1973 WILL PERMIT HANDLING OF JOINT VENTURE PROPOSALS ON CASE-BY-CASE BASIS AND WILL INCLUDE PROVISION FOR TRANSFER OF PROFITS. JOINT VENTURES SEEM MOST PROMISING IN MACHINE, CHEMICAL, AND HEAVY INDUSTRIES. US SIDE EXPRESSED KEEN INTEREST IN POLISH REGULATIONS AND NOTED INTEREST OF SEVERAL US COMPANIES IN EXPLORING JOINT VENTURES WITH POLAND. US SIDE STRESSED THAT TAX LIABILITY, EXCHANGE FACILITIES, AND OTHER BUSINESS ARRANGEMENTS WOULD BE MAJOR CONSIDERATIONS FOR US FIRMS CONTEMPLATING JOINT VENTURES IN POLAND. BOTH SIDES AGREED THAT INDUSTRIAL COOPERATION CAN BE EXPEDITED THROUGH IMPROVED BUSINESS FACILITIES.

B) MARITIME AFFAIRS: NOTES WERE EXCHANGED GIVING POLISH COMMERCIAL VESSELS ACCESS TO US PORTS ON FOUR DAYS' REQUEST AND ASSURING ACCESS OF U.S. SHIPS TO POLISH PORTS ON NO LESS FAVORABLE BASIS. POLISH LIMITED OFFICIAL USE

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PAGE 04 STATE 197847

SIDE COMPLAINED THAT REQUIREMENT THAT 50 PERCENT OF AMERICAN EXPORTS TO POLAND FINANCED BY EXIMBANK BE CARRIED IN AMERICAN SHIPS WORKED SPECIAL HARDSHIP ON POLAND, ESPECIALLY SINCE NO US SHIPPING LINE SERVED POLAND ON REGULAR SCHEDULE. US SIDE STRESSED RARITY OF EXCEPTION TO 50-50 RULE, BUT AGREED TO LOOK INTO MATTER. IT WAS ALSO AGREED THAT BILATERAL CONSULTATION, INCLUDING EXAMINATION OF A POSSIBLE AGREEMENT, ON SHIPPING MATTERS, WOULD TAKE PLACE BEFORE THE END OF 1973.

C) LONG-TERM AGREEMENT ON INDUSTRIAL, SCIENTIFIC, AND ECONOMIC COOPERATION: POLISH SIDE STATED THAT ITS PROPOSED TEN-YEAR AGREEMENT WAS SOUGHT CHIEFLY AS A "GREEN LIGHT" TO ENCOURAGE FIRMS WHICH

MIGHT OTHERWISE HOLD BACK AFTER YEARS OF INACTIVITY. US SIDE NOTED THAT TRADE WITH EASTERN EUROPE WAS NOW QUITE POPULAR, BUT ADDED THAT THERE WAS NO OBJECTION IN PRINCIPLE TO CONCLUSION OF AN AGREEMENT. US SIDE PROPOSED RETURNING TO THIS QUESTION ADZER CLARIFICATION OF JOINT-VENTURE REGULATIONS.

D) GATT NTB NOTIFICATIONS: US SIDE NOTIFIED POLES OF WITHDRAWAL OF TWO U.S. NOTIFICATIONS MADE TO GATT IN 1968 REGARDING POLISH MARKEGINT PRACTICES AND BILATERAL TRADE BALANCING.

E) POLISH CONCERN OVER TRADE BILL: POLES SAID THEY WERE CONFUSED ABOUT JACKSON AMENDMENT TO TRADE BILL AND ANY POSSIBLE EFFECT IT MIGHT HAVE ON POLAND'S MFN YXATUS IN TRADE WITH U.S. US SIDE DESCRIBED LINE-UP OF VARIOUS POLITICAL FORCES RELATIVE TO TRADE BILL, ESPECIALLY TITLE V, AND REAFFIRMED ADMINISTRATION'S CONTINUED ADHERANCE TO POLICY OF LAYING FIRMER BASIS FOR EXPANDED TRADE WITH SOCIALIST COUNTRIES. AFTER FORMAL MEETINGS, MINISTER OLECHOWSKI HAD PRIVATE SESSION WITH SECRETARY DENT, AMBASSADOR, ARMSTRONG, AND LAZARUS ON IMPLICATIONS OF HOUSE WAYS AND MEANS COMMITTEE AND SEPTEMBER 26 VOTE. LATER, SECRETARY DENT ADVISED OLECHOWSKI OF SEPTEMBER 27 VOTE EXEMPTING POLAND. THIS WAS MOST TIMELY.
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F) COTTON TEXTILE AGREEMENT: IT WAS AGREED TO BEGIN TALKS ON THIS SUBJECT IN GENEVA OCTOBER 9.

4. WORKING GROUP ON BUSINESS FACILITIES (CHAIRMEN: DEPUTY ASSISTANT SECRETARY OF COMMERCE STEVEN LAZARUS AND DIRECTOR STANISLAW STRUS, MINISTRY OF FOREIGN TRADE):

A) ADDENDA TO MARCH REPORT: AFTER DISCUSSION WITH POLISH SIDE, US SIDE PREPARED ADDENDA TO MARCH 7 REPORT OF WORKING GROUP ON BUSINESS FACILIZZES. IT WAS AGREED THAT THE U.S. SIDE WOULD PUBLISH THE ADDENDA UNILATERALLY WITH THE REPORT. THE ADDENDA DEAL WITH THE FOLLOWING TOPICS: PJMNICIPLES FOR ACCREDITATION OF BANKING REPRESENTATION; CONSTRUCTION OF WARSAW INTERNATIONAL TRADE CENTER COMPLEX; PROCEDURES FOR OBTAINING TELEPHONE AND TELEX LINES; RECRUITMENT AND EMPLOYMENT OF POLISH NATIONALS; AND TAX TREATMENT OF US OFFICES. SPECIFICALLY, POLISH SIDE CONFIRMED THAT TEMPORARY BAN ON ADVERTISEMENTS FOR EMPLOYEES HAD BEEN IMPOSED, FOR DOMESTIC AND FOREIGN ENTERPRISES ALIKE, AND WOULD ENDURE UNTIL END OF 1973.

A) OUR SIDE ALSO DESCRIBED NEW DRAFT TAC REGULATIONS WHICH WOULD, AMONG OTHER THINGS, ELIMINATE TURNOVER TAX AND IMPOSE TAX AMOUNTING TO TWO AND ONE-HALF PER CENT OF SALES ON BOTH COMMERCIAL AND TECHNICAL OFFICES.

B) COSTS: POLISH SIDE AGREED TO EXAMINE QUESTION OF USING LOCALLY GENERATED ZLOTYS FOR PAYMENT OF RENT. POLISH SIDE ALSO AGREED TO EXAMINE POSSIBILITY OF REDUCING EXIT FEE FOR POLISH EMPLOYEES OF U.S. OFFIKDS IN POLAND.

C) SAN FRANCISCO: U.S. SIDE NOTIFIED POLISH SIDE OF APPROVAL OF REQUEST FOR ESTABLISHMENT OF BRANCH OFFICE OF POLISH CHAMBER OF FOREIGN TRADE IN SAN FRANCISCO, NOTING IT HAD ASSOCIATED THIS QUESTION WITH BROADER ISSUES OF BUSINESS FACILITATION.

5. WORKING GROUP ON AGRICULTURAL MATTERS (CHAIRMAN: LAUREL MEADE, EXPORT SALES, USDA, AND ZBIGNIEW BIDZINSKI, LIMITED OFFICIAL USE

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FINANCE DEPARTMENT, MINISTRY OF FOREIGN TRADE); POLISH SIDE RAISED QUESTIONS OF CCC CREDIT AVAILABILITY AND LONG-TERM COMMODITY PURCHASES AGREEMENT. US SIDE RESPONDED THAT WHILE CCC CREDIT TEMPORARILY SUSPENDED, REACTIVATION WAS UNDER STUDY BY INTERAGENCY GROUP AND THAT LONG-TERM AGREEMENT WAS INAPPROPRIATE UNDER PRESENT SUPPLY-DEMAND SITUATION. POLISH SIDE EXPRESSED HOPE THAT NEGOTIATION OF LONG-TERM AGREEMENT MAY BE POSSIBLE IN NEAR FUTURE. DAVIES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 04 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE197847
Document Source: CORE
Document Unique ID: 00
Drafter: COMM/BEWT: J. TREICHEL
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731050/aaaabklq.tel
Line Count: 259
Locator: TEXT ON-LINE
Office: ORIGIN COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 07 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Aug-2001 by izenbei0>; APPROVED <19-Sep-2001 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JOINT U.S.-POLISH TRADE COMMISSION, THIRD SESSION: WRAP-UP REPORT
TAGS: PFOR, ETRD, OVIP, US, PL
To: BONN BELGRADE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005